



General Services Administration
Office of General Counsel
Washington, DC 20405

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

March 25, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Subject: Interconnection Between Local Exchange
Carriers and Commercial Mobile Radio Service
Providers, CC Docket No. 95-185 and Equal
Access and Interconnection Obligations
Pertaining to Commercial Mobile Radio Service
Providers, CC Docket No. 94-54.

Dear Mr. Caton:

Enclosed please find the original and nine copies of the General Services Administration's Reply Comments for filing in the above-referenced proceeding. Copies of this filing have been served on all interested parties.

Sincerely,

Jody B. Burton
Assistant General Counsel
Personal Property Division

Enclosures

cc: International Transcription Service, Inc.
Janice Myles

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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

In the Matter of

Interconnection Between Local Exchange Carriers
and Commercial Mobile Radio Service Providers

Equal Access and Interconnection
Obligations Pertaining to
Commercial Mobile Radio Service Providers

DOCKET FILE COPY ORIGINAL

CC Docket No. 95-185

CC Docket No. 94-54

**REPLY COMMENTS OF THE
GENERAL SERVICES ADMINISTRATION**

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March 25, 1996

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Summary

In its Initial Comments, GSA argued that the Commission should adopt policies and principles in its rules on LEC-CMRS interconnection that are consistent with the Telecommunications Act of 1996 ("the Act"). In these Reply Comments, GSA applies the more stringent test suggested by CompTel, that not only the policies but the actual rates for comparable interconnection services should be consistent between LEC and CMRS interconnections.

On this test, the present interconnection arrangements fail. Reflecting possibly their very unequal bargaining positions, the LEC interconnection charges to the CMRS providers are neither cost based nor reciprocal as required by the Act. They must therefore be replaced.

On the very controversial issue of the Commission's bill-and-keep proposal, GSA comes down between the opposing parties. So long as it is limited to the function of subscriber access from the end office, bill-and-keep does not constitute a "taking" of property, as the LECs assert. That function has a negligible incremental cost which would likely be offset by the cost of measuring and administering a per-minute termination charge.

On the other hand, GSA does not support the proposal of many of the wireless carrier parties to apply bill-and-keep at the "meet point" wherever that may be. Such a proposal does indeed require the LECs to provide services without compensation for which they would incur traffic sensitive costs. It would also distort the economic tradeoff between dedicated and tandem switched interconnections.

GSA believes that the jurisdictional issues debated among the parties can be avoided by means of the rules that the Commission is obliged to issue pursuant to § 251(d)(1) the Act. Those rules will contain the policy guidelines that the state commissions should follow in implementing § 252 of the Act. One of those policy guidelines should be the adoption of end office bill-and-keep arrangements for CMRS interconnections. Other interconnection functions and charges should be consistent with the negotiated agreements between the incumbent LECs and other landline telecommunications carriers.

GSA agrees with LDDS WorldCom that the issues of interstate access charges paid by CMRS carriers, which GSA believes to be of questionable lawfulness under the Act, should be deferred pending the Commission's review of the existing interstate access charge mechanism.

**BEFORE THE
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**REPLY COMMENTS OF THE
GENERAL SERVICES ADMINISTRATION**

The General Services Administration ("GSA"), on behalf of the Federal Executive Agencies, submits these Reply Comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM") in CC Docket Nos. 95-185 and 94-54, released January 11, 1996. In this NPRM, the Commission requested comments and replies on proposed rules concerning Commercial Mobile Radio Service ("CMRS") provider interconnection.

GSA has received the Initial Comments of:

- 25 Local Exchange Companies ("LECs"), consultants and associations,
- 17 Cellular licensees and associations,
- 11 Personal Communications Services ("PCS") licensees and associations,
- 5 Interexchange Carriers ("IXCs") and associations,
- 4 state commissions and their association,

- 4 paging companies,
- 2 resellers' associations,
- 2 representatives of the Competitive Local Exchange Carrier ("CLEC") industry, and
- 3 other parties.

It is noteworthy that GSA is apparently the only end-use consumer of telecommunications services to submit comments in this proceeding. GSA submits that this fact renders the GSA comments worthy of careful consideration by the Commission.

**Reply Comments of the General Services Administration
CC Docket Nos. 95-185 and 94-54
March 25, 1996**

I. General Comments

**The Commission Should Adopt LEC-CMRS Rules That Conform To The
Interconnection Policies And Practices Established In The
Telecommunications Act of 1996.**

In its Initial Comments, GSA argued that whatever the applicability of the Telecommunications Act of 1996 ("the Act") to CMRS interconnection, the Commission should adopt policies and principles that are consistent with the new regulatory environment created by the Act.¹ This necessary consistency between the current LEC-CMRS interconnection proceeding and the impending proceedings involving LECs and other landline carriers was the central theme of GSA's Initial Comments.

In its comments, the Competitive Telecommunications Association ("CompTel") carried this point to its logical conclusion. According to CompTel, the Act contemplates not only that the same procedures should be applied to LEC-CMRS interconnections as to LEC interconnections, but that the actual rates should be identical when the services are the same:

Under the new legislation, there is no basis for distinguishing between carrier-to-carrier pricing in the ILEC (Incumbent LEC)-CMRS interconnection context versus pricing in the context of other telecommunications carriers making use of the ILEC's networks to provide their telecommunications services. The new statute provides generally that when telecommunications carriers make use of ILEC network features and functions, the prices the ILEC charges must reflect the direct costs imposed on the ILEC network for the features and functionalities used and must be non-discriminatory. Thus, for example, where the costs for an ILEC to terminate a call on its network

¹Initial Comments of GSA at 2-4.

received from a CMRS provider are the same as when it terminates the call of an interexchange carrier ("IXC") (or any other telecommunications carrier), both the CMRS provider and the IXC should pay the same for the termination of the call. Accordingly, the FCC should adopt regulations ensuring non-discrimination between CMRS providers and all other telecommunications providers in payment of cost-based rates for use of the ILEC networks.²

GSA agrees with this position. It is economically irrational to maintain different rates for the same functions depending upon the connecting carrier or the type of traffic. When a LEC terminates a call, the service provided is identical regardless of whether the call originates on the system of a CMRS provider, a CLEC, or an IXC. The service is the same whether the call is local, intraLATA, interLATA, or interstate. If the service is identical, then the charges should be identical as well.

In these Reply Comments, GSA will review the positions of the parties against this more severe test of consistency. Not only should LEC-CMRS interconnection policies and procedure conform to the Act, but the interconnection terms, conditions and rates should be consistent with, if not identical to, those applicable to landline interconnections following the implementation of the Act.

²Comments of the Competitive Telecommunications Association ("CompTel") at 2.

**Reply Comments of the General Services Administration
CC Docket Nos. 95-185 and 94-54
March 25, 1996**

**II. Compensation For Interconnected Traffic Between
LECs and CMRS Providers' Networks.**

A. Compensation Arrangements

1. The Existing Interconnection Arrangements Between LECs and CMRS Providers Are Unlawful Under The Act.

The LECs contend that the existing interconnection arrangements are altogether satisfactory and that there is no need for Federal intervention. They cite the growth of the cellular industry and the relatively small proportion of total cellular revenue accounted for by interconnection costs.³

The wireless carriers respond that the appearance of peace on the cellular interconnection front is largely a reflection of the fact that so many cellular carriers are LEC affiliates. Those not affiliated with LECs complain that they have little bargaining leverage when it comes to negotiating interconnection arrangements. The LECs set the rates, terms and conditions, and the wireless carriers have little choice but to accept them.⁴

The consequence of this relationship has been what Cox calls a "stunning gap"

³Comments of BellSouth Corporation ("BellSouth") at 22; United States Telephone Association ("USTA") at 7, Bell Atlantic at 9-11, Ameritech at 4, NYNEX at 11-15, U S West, Inc. ("US West") at 6, Pacific Bell at 26.

⁴See, e.g., Comments of Vanguard Cellular Systems ("Vanguard") at 7, 8; Cox Enterprises, Inc. ("Cox") at 16; Cellular Communications of Puerto Rico ("CCPR") at 5-7; Joint Comments of Sprint Spectrum and American Personal Communications ("Sprint/APC") at 11.

between the actual cost to the LECs of transporting and terminating cellular traffic and current cellular interconnection rates.⁵

Last March, Cox introduced a study by Dr. Gerald Brock of George Washington University which used LEC data to demonstrate that the average incremental cost to terminate a call is .2 cents per minute.⁶ Using this cost estimate, Comcast claims that Bell Atlantic assesses an aggregate interconnection charge over ten times the average incremental cost of terminating a call on a LEC network.⁷ Cox compares the .2 cent per minute average incremental cost with an average charge for cellular interconnection of 3 cents per minute.⁸

Another wireless carrier, Vanguard Cellular Systems, Inc., provides an alternative estimate of interconnection cost, in its case applicable to New England Telephone. That cost is .57 cents per minute, still a fraction of the charge that New England Telephone assesses for interconnection with Vanguard.⁹

Section 252(d)(2) of the Act requires that charges for the transport and termination of traffic should be based on "a reasonable approximation of the additional costs of terminating such calls." Even allowing for very substantial margins of error in the wireless carriers' cost estimates, it is clear that the present LEC charges to the CMRS

⁵Comments of Cox at 13.

⁶Id., fn. 26.

⁷Comments of Comcast Corporation ("Comcast") at 4, 5.

⁸Comments of Cox at 13.

⁹Comments of Vanguard at 8.

carriers bear no relationship to cost. Nor is there any reason to expect them to be. They were established without any objective standards or tests of reasonableness, much less a requirement that they approximate incremental cost.

Nor are the present rates reciprocal and nondiscriminatory, as required by §251(b)(5) of the Act. Several wireless carrier parties cited situations in which the LECs require them to pay interconnection for both terminating and originating calls.¹⁰ Comcast complains that Pacific Bell has proposed to charge different rates under different terms and conditions to competitive LECs than to CMRS providers.¹¹

Thus, the status quo is unacceptable. Present interconnection arrangements must be terminated, and a structure of cost-based, reciprocal charges and arrangements must be introduced.

2. Bill-And-Keep From The End Office Is Consistent With The Act.

In its NPRM, the Commission proposed as an interim measure to adopt the "bill-and-keep" procedure for the call termination functions from the respective carriers' end offices to their subscribers.¹²

The LECs overwhelmingly reject this proposal. They asserts that mandatory bill-and-keep would be an unconstitutional "taking" without just compensation because it would obligate LECs to utilize their facilities to provide transport and termination of

¹⁰See, e.g., Comments of CCPR at 6; The Personal Communications Industry Association ("PCIA") at 6.

¹¹Comments of Comcast at 7.

¹²NPRM, ¶ 60.

CMRS-originated calls without receiving any compensation.¹³ The LECs also challenge bill-and-keep on jurisdictional grounds, arguing that the Act establishes the model of voluntary negotiations as the principal basis for interconnection charges. They assert that this model precludes mandatory guidelines such as bill-and-keep.¹⁴

These arguments are without foundation. Bill-and-keep does not involve a "taking" because it does not result in the LECs incurring costs for which they receive no revenue. As Cox points out, when de minimis costs are involved, such as .2 cents per minute, they disappear if the cost of measuring traffic and settling for the net differences is roughly the same.¹⁵

The fact is that the costs of accessing subscribers from the end office are not traffic sensitive. Those costs are the same regardless of the number, timing or duration of calls or whether those calls are originated or terminated. They should be recovered in the same way they are incurred, through flat monthly charges that are unaffected by the volume of traffic.

The jurisdictional issue is discussed below. There, GSA points out that regardless of whether the Commission can preempt state review of CMRS interconnections, the Commission is responsible for rules implementing the requirements of §§ 251 and 252 of the Act. Those sections call for reciprocal and cost-based rates. For reasons noted above, the Commission can reasonably find that end-office bill-and-keep is a reciprocal

¹³Comments of BellSouth at 18, 19; Bell Atlantic at 8; US West at 49.

¹⁴Comments of BellSouth at 4; Bell Atlantic at 3.

¹⁵Comments of Cox at 21.

and cost based rate and that it should be part of any CMRS interconnection agreement.¹⁶

This is GSA's recommendation.

3. Bill-And-Keep At The Meet Point Is Not Consistent With The Act.

Several of the wireless parties propose that the bill-and-keep arrangement be applied from the tandem switch to the end-use subscriber, rather than from the end office as proposed by the Commission.¹⁷ They argue that the LECs would be able to impose discriminatory interconnection rates on CMRS providers who choose to interconnect at the tandem, even if the tandem is a more efficient form of interconnection for both networks. They cite the examples of California and Washington where bill-and-keep is provided between LECs at mutually agreeable "meet points."¹⁸ They are supported in this position by several of the interexchange carriers.¹⁹

There are two reasons for rejecting this proposal. First, if the LECs are required to provide common transport from the tandem for no compensation whatever, then the "takings" argument of the LECs begins to assume credibility. While subscriber access costs are overwhelmingly non-traffic sensitive, common transport costs are largely, if not

¹⁶This does not necessarily mean that bill-and-keep must be part of any LEC-to-LEC agreement. The distinction is that the call termination functions are very different when performed by CMRS providers and by LECs. Symmetrical, that is, identical termination rates that are also cost based are therefore impossible for LEC-CMRS interconnections. They would not be for LEC-to-LEC interconnections.

¹⁷It appears that Cox may have changed its position on this issue. The NPRM (at ¶ 36) quotes Cox as advocating bill-and-keep only for traffic terminated at the end office, with compensation provided the LECs for calls terminated at the tandem.

¹⁸Comments of Comcast at 22; Cox at 31-35; PCIA at 7.

¹⁹Comments of MCI Telecommunications Corporation ("MCI") at 4; AT&T Corp. ("AT&T") at 11; Sprint Corporation ("Sprint") at 9.

entirely traffic sensitive, at least at the peak hour. For the common transport function, call terminations do incur incremental costs for which the LECs would not receive compensation under a "meet point" bill-and-keep arrangement. Such an arrangement would be contrary to the Act's requirement for cost-based call termination rates.

The second reason for rejecting the "meet point" bill-and-keep arrangement relates to system efficiency. Tandem connections are a substitute for dedicated access to the LEC end office. Currently, this dedicated access is usually leased from the incumbent LEC, but with the proliferation of local carriers, there will soon be other alternatives for direct connection from the wireless carriers' Mobile Telephone Switching Offices ("MTSOs") to the LEC end offices. With competition, the market will drive the cost of dedicated transport to the level of cost. If tandem switching and transport are provided free of charge to the CMRS providers, then the economic selection will be distorted: the CMRS carriers will always access the tandem office nearest their MTSOs, quite regardless of the actual cost.

The wireless carriers are correct that any payment of access charges by them to the LECs opens the door to discrimination. That risk to the CMRS providers is no greater than it is to the CLECs, who are even more directly competitive with the incumbent LECs. The immediate solution is found in the provisions of the Act that hold transport and termination rates to the added cost of the service provided.²⁰ The ultimate solution will be in the proliferation of facilities based local carriers which will deprive the incumbent LECs of their market power over the interoffice transport function.

²⁰See § 252(d) of the Act.

It is true that several states have adopted "meet point" bill-and-keep for LEC-to-LEC interconnection, at least as an interim measure. There are two distinguishing characteristics of LEC-to-LEC interconnection that justify this procedure but that do not apply to LEC-CMRS interconnection. The first is that LEC networks are similar, with numerous local offices situated relatively near to the end-use subscribers. As a result, the tradeoff between dedicated and tandem interconnection for given amounts of traffic is the same between carriers on either side of the meet point. By contrast, all of the CMRS traffic in a given metropolitan area usually flows through one or two MTSOs. This means that the wireless service hubs to a relatively few locations, while the landline terminations are distributed among numerous local office locations. The transport costs incurred on either side of a LEC-CMRS interconnection are unlikely to be similar.

The second difference between LEC-to-LEC and LEC-CMRS interconnections is that the former are likely to experience much more balanced traffic, while CMRS traffic is known to flow predominantly from the CMRS provider to the LEC.²¹ To the extent that the carriers incur traffic-sensitive call termination costs, they are much more likely to be offsetting in a LEC-to-LEC bill and keep arrangement.

²¹This condition may change. Cox reports that the balance of traffic on the first of the PCS systems is approximately even. See Comments of Cox at 21.

B. Implementation of Compensation Arrangements.

The Commission Can Avoid Jurisdictional Disputes By Adopting A Policy Framework For State Commission Evaluation.

On no other issue is there such stark disagreement among the commenting parties as on the question of the Commission's jurisdiction to mandate LEC-CMRS interconnection terms, conditions and rates.

On one side are the wireless carriers. They contend that the 1993 Budget Act vests the Commission with exclusive jurisdiction over CMRS providers.²² That act amended § 332(c) of the Communications Act of 1934 as follows:

Notwithstanding section 2(b) and 221(b), no State or local government shall have any authority to regulate the entry of or rates charged by any commercial mobile service...²³

These parties argue that nothing in the recent Act modified the Federalization of all CMRS services or the authority of the Commission to preempt state regulation of CMRS services, including LEC-CMRS interconnection.²⁴ Accordingly, these parties recommend that the Commission prescribe uniform national standards for all CMRS interconnections, regardless of jurisdiction, which the states would be preempted from modifying.

On the other side are the LECs, which argue that the recent Act precludes mandatory guidelines. Rather, the Act requires that parties negotiate interconnection arrangements, and if negotiations are unsuccessful, it conveys to the states the authority

²²Comments of Comcast at 26; Cox at 35; PCIA at 16.

²³47 U.S.C. § 332(c)(3).

²⁴Comments of AT&T at 28; Cox at 42.

to arbitrate matters of dispute. The Commission has authority to intervene only if the states fail to fulfill their responsibilities.²⁵

The LECs contend that the Budget Act's amendment to §332 provides only narrow preemption authority with respect to CMRS: specifically, the rates that CMRS providers charge to the public, not other carriers, for CMRS services.²⁶ They point to the Commission's previous finding in its Louisiana PSC Rate Regulation Order that Section 332 does not give it jurisdiction over intrastate LEC rates and practices with regard to interconnection with CMRS providers.²⁷

The LECs are particularly vehement in their opposition to any prescription of bill-and-keep by the Commission. BellSouth, for example, asserts that bill-and-keep is precluded by the Act:

Congress specifically exempted voluntary interconnection agreements from any standards concerning compensation, rates or charges, save only that such agreements may not discriminate against nonparties.²⁸

GSA submits that the LECs greatly overstate their case. For example, BellSouth is wrong to say that Congress enacted no standards concerning LEC interconnections. Section 252(d) specifically prescribes pricing standards for interconnection charges. Subsection 252(d)(2) requires that charges for transport and termination of traffic must

²⁵See, e.g., Comments of USTA at 14; NYNEX at 5-10; SBC Communications, Inc ("SBC") at 8; Pacific Bell at 92; GTE at 36.

²⁶Comments of BellSouth at 34; USTA at 20; Ameritech at 11; NYNEX at 40.

²⁷Petition on Behalf of the Louisiana Public Service Commission for Authority to Retain Existing Jurisdiction Over Commercial Mobile Radio Services Offered Within the State of Louisiana, 10 FCC Rcd. 7898, 7908 (1995).

²⁸Comments of BellSouth at 10.

provide for the mutual and reciprocal recovery by each carrier of costs on the basis of a reasonable approximation of the additional cost of terminating calls. Subsection 252(d)(2)(B)(i) explicitly allows bill-and-keep arrangements.

The LECs are also wrong in believing that the Commission has no role to play in the state commissions' review, arbitration and approval of these interconnection arrangements. Section 251(d) directs the Commission to establish regulations to implement the requirements of that section, which includes the LECs' obligation to establish reciprocal compensation arrangements for transport and termination of telecommunications. Thus, the Commission has the authority under the Act to establish rules governing the state commissions' review of LEC-CMRS interconnection arrangements.

It is not clear to GSA that the 1993 Budget Act's amendment to § 332 "Federalizes" all CMRS services. Rather, it preempts the states' authority over rates charged by CMRS providers. This argues that the interconnection charges imposed by the CMRS providers to terminate LEC traffic might be within the exclusive jurisdiction of the Commission, while the states might retain authority over the charges the LECs impose on CMRS providers. This results in the anomalous situation where the Commission has jurisdiction over traffic flowing one way, while the states exert authority over traffic flowing the other way.

GSA submits that this jurisdictional hair-splitting is totally unnecessary. Under the Act, the Commission has the authority, indeed, the responsibility to issue guidelines for the state commissions' review of LEC-CMRS interconnection agreements. The Budget

Act conveys additional Commission responsibility for CMRS rates. Based on the intent of both acts, the Commission can reasonably prescribe that LEC-CMRS interconnection agreements should contain bill-and-keep provisions with respect to access between end offices and subscribers, and that charges for all other access functions shall be cost based and consistent with the corresponding charges applicable to LEC-to-LEC interconnections. In other words, aside from end office bill-and-keep, the CMRS interconnection agreements shall be subject to the same Commission rules and shall be negotiated, arbitrated and approved by the state commissions in the same format and under the same procedures as all other LEC interconnection agreements.

GSA is not alone in this recommendation. The Telecommunications Resellers Association also urges the Commission to follow the procedural mechanisms of Section 252 of the Act while at the same time requiring the states to adopt bill-and-keep for CMRS interconnection.²⁹

In its comments, America's Carriers Telecommunications Association ("ACTA") notes that the regulation of long distance services has been bifurcated between interstate and intrastate jurisdictions long enough. Any conflict between the Commission and state regulatory agencies would needlessly lengthen the deployment of nationwide wireless services.³⁰ GSA endorses these comments and urges the Commission to adopt the foregoing proposal based on the format laid out in ¶109 of the NPRM.

²⁹Comments of the Telecommunications Resellers Association at 12-14.

³⁰Comments of America's Carriers Telecommunication Association ("ACTA"), discussion of II.B.2.

**Reply Comments of the General Services Administration
CC Docket Nos. 95-185 and 94-54
March 25, 1996**

**III. Interconnection For The Origination And Termination
Of Interstate Interexchange Traffic.**

**The Commission Should Defer Any Decision On Interstate Access
Rates Pending Review Of The Legal Status Of Those Rates.**

In its Initial Comments, GSA argued that the Act precludes extension of the present interstate access charging mechanism to CMRS providers because § 251(g) allows those charges to be continued only to the extent they applied on the day preceding the Act's enactment. GSA further suggested that the Commission would be hard put to find the present interexchange access charges consistent with the pricing standards in §252(d) of the Act.

GSA's position found support in comments of LDDS WorldCom, which strongly opposes the payment of "the current subsidy-ridden, above-cost" interstate LEC access charges to the CMRS providers. LDDS WorldCom notes the upcoming comprehensive reform of the access charge system.³¹ GSA endorses this position.

³¹Comments of WorldCom, Inc., d/b/a LDDS WorldCom ("LDDS WorldCom") at 19-21.

**Reply Comments of the General Services Administration
CC Docket Nos. 95-185 and 94-54
March 25, 1996**


V. Conclusion


As the agency vested with the responsibility for acquiring telecommunications services on a competitive basis for use of the Federal Executive Agencies, GSA recommends that the Commission issue rules pursuant to § 251(d)(1) of the Act adopting the bill-and-keep arrangement for CMRS access from LEC end offices to subscribers but requiring all other access functions to be consistent with the agreements between the incumbent LECs and other telecommunications carriers that are approved by the state commissions or this Commission pursuant to § 252 of the Act.

Respectfully submitted,

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